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SC PUBLIC SERVICE
COMMISSION

DIRECT TESTIMONY

OF

JOHN R. HENDRIX

ON BEHALF OF

SOUTH CAROLINA ELECTRIC & GAS COMPANY

DOCKET NO. 2002-2-E

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. John R. Hendrix, 1426 Main Street, Columbia, South Carolina.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am Supervisor of Electric Pricing and Rate Administration of South Carolina Electric and Gas Company (SCE&G).

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I am a graduate of the University of South Carolina where I received a Bachelor of Science Degree in Business Administration with a major in marketing. Since joining South Carolina Electric & Gas Company in August, 1983, I have held various positions within the Rate Department. In November 1999, I assumed my present position. I have participated in cost of service studies, rate development and design, and rate evaluation programs for both the electric and gas operations. I am a member of the Southeastern Electric Exchange Rate Section.

Q. WILL YOU BRIEFLY SUMMARIZE YOUR DUTIES WITH SOUTH CAROLINA ELECTRIC & GAS COMPANY?

RETURN DATE: OK DW
SERVICE: OK DW

1 A. I am responsible for the design and administration for the Company's electric
2 rates and tariffs including the electric fuel adjustment. In addition, I am
3 responsible for the Company's electric allocation studies.

4 **Q. MR. HENDRIX, WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
5 **PROCEEDING?**

6 A. The purpose of my testimony is to provide the actual fuel cost data for the period
7 March, 2001 through February, 2002, the historical period under review in this
8 proceeding. I will also provide the computations for the projected fuel cost per
9 kilowatt-hour of sales for the period May, 2002 through April, 2003, along with the
10 Company's recommended fuel rate for the period ending April, 2003.

11 **Q. WHAT IS THE COMPANY'S CURRENTLY APPROVED RATE FOR FUEL**
12 **COST?**

13 A. The Commission in Order No. 2001-397, dated April 27, 2001 approved a 1.579
14 cents per KWH fuel component which is currently in effect.

15 **Q. PLEASE BRIEFLY REVIEW THE COMPONENTS OF THE FUEL RATE**
16 **APPROVED BY THIS COMMISSION IN THE LAST PROCEEDING.**

17 A. In the last fuel proceeding, the Company experienced an anticipated under
18 collection at April, 2001 of \$61,670,308 which is net of an \$8,000,000 write-off of
19 under collected fuel costs which the company voluntarily made. The
20 Commission approved a fuel rate that was set at a level to permit this under
21 recovery to be collected over a two year period. To accomplish this, the under
22 collection was divided by two years of projected sales. This recovery
23 methodology produced a recovery component of .147 cents per KWH which was

1 then added to the projected fuel cost of 1.432 cents per KWH resulting in an
2 approved fuel rate of 1.579 cents per KWH.

3 **Q. IN THE LAST FUEL PROCEEDING, HOW MUCH DID THE COMPANY**
4 **PROJECT TO BE UNDER COLLECTED AT APRIL, 2002?**

5 A. The Company projected to be under collected by \$31,192,858.

6 **Q. WILL YOU PLEASE EXPLAIN EXHIBIT NO. _____(JRH-1)?**

7 A. Exhibit No. _____(JRH-1) shows the actual fuel cost and unbilled revenue
8 experienced by the Company for the months of March 2001 through February,
9 2002. As shown on this Exhibit, the Company has an actual under collection of
10 \$41,287,451 as of February, 2002. The forecasted balance at April, 2002 is an
11 under collection of \$36,504,651.

12 **Q. WILL YOU PLEASE EXPLAIN EXHIBIT NO. _____(JRH-2)?**

13 A. Exhibit No. _____(JRH-2) provides the calculation of the projected fuel
14 component for the twelve month period May, 2002 through April, 2003. This
15 component consists of the projected fuel costs for this period and the projected
16 under recovery at April, 2002. For the twelve months May, 2002 through April,
17 2003 that cost is 1.726 cents per KWH. This calculation includes the second
18 year of recovery approved in Order 2001-397.

19 **Q. HOW WOULD THE PROJECTED UNDER COLLECTION OF FUEL COST**
20 **IMPACT THE COMPANY'S FORECASTED FUEL RATE?**

21 A. The anticipated under collection through April, 2002 of \$36,504,651 would
22 increase our fuel rate .177 cents per KWH for the twelve month period ending

1 April, 2003. Increasing the projected fuel cost for the under collection produces a
2 total cost of 1.726 cents per KWH for the twelve month period ending April, 2003.

3 **Q. HAVE YOU INCLUDED THE IMPACT OF THE URQUHART REPOWERING IN**
4 **YOUR PROJECTIONS?**

5 A. Yes. Urquhart's requirements are included in my calculations of the projected
6 fuel component.

7 **Q. MR. HENDRIX, WHAT FUEL COMPONENT IS THE COMPANY PROPOSING**
8 **IN THIS PROCEEDING?**

9 A. The Company is proposing that the fuel component be changed to 1.726 cents
10 per KWH effective with the billing month of May, 2002 and continuing through the
11 billing month of April, 2003. The Company believes that increasing the fuel
12 component to 1.726 cents per KWH follows the Commission's intent in the
13 establishment and continuation of the fuel clause by maintaining a relative
14 balance between actual and projected fuel costs and sales over the long run.

15 **Q. WILL YOU PLEASE EXPLAIN EXHIBIT NO.____(JRH-3)?**

16 A. Exhibit No.____(JRH-3) contains the Company's fuel costs forecast and projected
17 recovery calculations by months for May, 2002 through April, 2003. This exhibit
18 reflects the monthly and cumulative over and under projected fuel cost
19 collections expected by the Company using my recommendations as to fuel rate
20 level and timing of the fuel rate change. My projection shows an under recovery
21 of \$36,504,651 at April, 2002 and an under recovery of \$20,051 at April, 2003.

22 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

23 A. Yes.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

FUEL COSTS REPORT

ACTUAL 2001

LINE NO.	MARCH \$	APRIL \$	MAY \$	JUNE \$	JULY \$	AUGUST \$	SEPTEMBER \$	OCTOBER \$
1. TOTAL COST OF FOSSIL FUEL BURNED	13,550,178	11,658,391	16,246,330	20,388,420	21,848,034	22,996,846	19,046,331	18,245,076
2. NUCLEAR FUEL	1,844,386	2,138,698	2,184,717	1,650,118	1,981,076	2,204,775	2,122,896	2,206,883
3. PURCHASED AND INTERCHANGE POWER FUEL COSTS	8,212,616	12,069,728	6,434,041	8,192,254	7,865,426	7,636,634	5,851,072	4,399,584
4. FUEL RECOVERED THROUGH INTERSYSTEM SALES	1,041,489	357,409	1,422,630	1,177,627	1,570,984	1,018,544	2,494,585	397,814
5. TOTAL FUEL COSTS (LINES 1+2+3-4)	22,565,691	25,509,408	23,442,458	29,053,165	30,123,552	31,819,711	24,525,714	24,453,729
6. TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	1,508,938,132	1,571,968,125	1,653,426,989	1,855,580,058	2,003,093,535	2,042,047,965	2,048,970,371	1,631,430,844
7. FOSSIL FUEL COST PER KWH SALES	0.014955	0.016228	0.014178	0.015657	0.015039	0.015582	0.011970	0.014989
8. LESS BASE COST PER KWH INCLUDED IN RATES	0.01330	0.01330	0.01579	0.01579	0.01579	0.01579	0.01579	0.01579
9. FOSSIL FUEL ADJUSTMENT PER KWH	0.00166	0.00293	(0.00161)	(0.00013)	(0.00075)	(0.00021)	(0.00382)	(0.00080)
10. UNBILLED REVENUE KWH	1,420,463,245	1,486,084,273	1,557,708,560	1,751,636,377	1,894,661,286	1,924,970,051	1,951,790,273	1,545,646,142
11. UNBILLED REVENUE	2,357,969	4,354,227	(2,507,911)	(227,713)	(1,420,996)	(404,244)	(7,455,839)	(1,236,517)
12. ADJUSTMENT	0	0	42,614	59,630	0	0	0	0
13. CUMULATIVE UNDER(OVER)	\$60,394,868	\$67,107,064	\$64,641,767	\$64,473,684	\$63,052,688	\$62,648,444	\$55,192,605	\$53,956,088

Exhibit No. (JRH-1)

SOUTH CAROLINA ELECTRIC & GAS COMPANY

FUEL COSTS REPORT

LINE NO.		ACTUAL 2001 - 2002				FORECAST 2002	
		NOVEMBER \$	DECEMBER \$	JANUARY \$	FEBRUARY \$	MARCH \$	APRIL \$
1.	TOTAL COST OF FOSSIL FUEL BURNED	12,460,479	13,532,066	17,098,222	15,163,213	14,553,000	16,527,000
2.	NUCLEAR FUEL	2,132,103	2,208,716	2,210,750	1,999,155	2,304,000	1,489,000
3.	PURCHASED AND INTERCHANGE POWER FUEL COSTS	6,274,786	6,625,042	8,202,594	6,646,904	6,737,000	5,840,000
4.	FUEL RECOVERED THROUGH INTERSYSTEM SALES	<u>887,660</u>	<u>502,086</u>	<u>1,784,200</u>	<u>1,975,607</u>	<u>1,715,000</u>	<u>836,000</u>
5.	TOTAL FUEL COSTS (LINES 1+2+3+4)	19,979,708	21,863,738	25,727,366	21,833,665	21,879,000	23,020,000
6.	TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	1,495,550,081	1,541,284,009	1,813,568,647	1,610,784,336	1,587,000,000	1,578,000,000
7.	FOSSIL FUEL COST PER KWH SALES	0.013359	0.014185	0.014186	0.013555	0.013786	0.014588
8.	LESS BASE COST PER KWH INCLUDED IN RATES	0.01579	0.01579	0.01579	0.01579	0.01579	0.01579
9.	FOSSIL FUEL ADJUSTMENT PER KWH	(0.00243)	(0.00161)	(0.00160)	(0.00224)	(0.00200)	(0.00120)
10.	UNBILLED REVENUE KWH	1,410,918,156	1,451,894,505	1,712,800,649	1,521,208,752	1,498,000,000	1,489,000,000
11.	UNBILLED REVENUE	(3,428,531)	(2,337,550)	(2,740,481)	(3,407,508)	(2,996,000)	(1,786,800)
12.	ADJUSTMENT	0	(754,567)	0	0	0	0
13.	CUMULATIVE UNDER(OVER)	50,527,557	47,435,440	44,694,959	41,287,451	38,291,451	36,504,651

Exhibit No. ____ (JRH-1)

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
CALCULATION OF BASE FUEL COMPONENT**

**FORECAST
MAY 02 - APR 03
12 MONTHS**

1. PROJECTED DATA:

COST OF FUEL (\$000)	\$342,507
SYSTEM SALES (GWH)	22,109
AVERAGE COST (CENTS/KWH)	1.549

2. (OVER)/UNDER COLLECTION (\$000) THROUGH APRIL 2002

\$36,505

SOUTH CAROLINA RETAIL SALES (GWH)	20,620
AVERAGE COST (CENTS/KWH)	0.177

3. BASE COST (CENTS/KWH):

PROJECTED FUEL COST	1.549
(OVER)/UNDER RECOVERY RATE	<u>0.177</u>
PROJECTED BASE FUEL COST	<u>1.726</u>

SOUTH CAROLINA ELECTRIC & GAS COMPANY
FUEL COSTS REPORT

Exhibit No. (JRH-3)

LINE NO.	FORECAST	2002 FORECAST					
		MAY \$	JUNE \$	JULY \$	AUGUST \$	SEPTEMBER \$	OCTOBER \$
1.	TOTAL COST OF FOSSIL FUEL BURNED	19,988,000	25,376,000	28,364,000	28,251,000	21,776,000	18,946,000
2.	NUCLEAR FUEL	1,018,000	2,325,000	2,403,000	2,403,000	2,325,000	2,424,000
3.	PURCHASED AND INTERCHANGE POWER FUEL COSTS	9,312,000	6,932,000	8,479,000	7,748,000	6,549,000	5,794,000
4.	FUEL RECOVERED THROUGH INTERSYSTEM SALES	978,000	2,410,000	1,981,000	2,576,000	1,863,000	1,859,000
5.	TOTAL FUEL COSTS (LINES 1+2+3+4)	29,340,000	32,223,000	37,265,000	35,826,000	28,787,000	25,305,000
6.	TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	1,661,000,000	1,970,000,000	2,182,000,000	2,211,000,000	2,109,000,000	1,754,000,000
7.	FOSSIL FUEL COST PER KWH SALES	0.017664	0.016357	0.017078	0.016204	0.013650	0.014427
8.	LESS BASE COST PER KWH INCLUDED IN RATES	0.017260	0.017260	0.017260	0.017260	0.017260	0.017260
9.	FOSSIL FUEL ADJUSTMENT PER KWH	0.00040	(0.00090)	(0.00018)	(0.00106)	(0.00361)	(0.00283)
10.	UNBILLED REVENUE KWH	1,561,000,000	1,832,000,000	2,030,000,000	2,063,000,000	1,983,000,000	1,643,000,000
11.	UNBILLED REVENUE	624,400	(1,648,800)	(365,400)	(2,186,780)	(7,158,630)	(4,649,690)
12.	ADJUSTMENT	0	0	0	0	0	0
13.	CUMULATIVE UNDER(OVER) \$36,504,651	37,129,051	35,480,251	35,114,851	32,928,071	25,769,441	21,119,751

SOUTH CAROLINA ELECTRIC & GAS COMPANY
FUEL COSTS REPORT

LINE NO.	FORECAST	2002 - 2003 FORECAST				
		NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH
		\$	\$	\$	\$	\$
1.	TOTAL COST OF FOSSIL FUEL BURNED	17,479,000	21,280,000	21,795,000	18,825,000	22,592,000
2.	NUCLEAR FUEL	2,346,000	2,424,000	2,424,000	2,191,000	2,424,000
3.	PURCHASED AND INTERCHANGE POWER FUEL COSTS	6,914,000	6,280,000	6,476,000	5,042,000	1,040,000
4.	FUEL RECOVERED THROUGH INTERSYSTEM SALES	2,273,000	2,987,000	2,801,000	1,717,000	748,000
5.	TOTAL FUEL COSTS (LINES 1+2+3-4)	24,466,000	26,997,000	27,894,000	24,341,000	25,308,000
6.	TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	1,610,000,000	1,726,000,000	1,852,000,000	1,765,000,000	1,639,000,000
7.	FOSSIL FUEL COST PER KWH SALES	0.015196	0.015641	0.015062	0.013791	0.015441
8.	LESS BASE COST PER KWH INCLUDED IN RATES	0.017260	0.017260	0.017260	0.017260	0.017260
9.	FOSSIL FUEL ADJUSTMENT PER KWH	(0.00206)	(0.00162)	(0.00220)	(0.00347)	(0.00182)
10.	UNBILLED REVENUE KWH	1,494,000,000	1,597,000,000	1,726,000,000	1,649,000,000	1,525,000,000
11.	UNBILLED REVENUE	(3,077,640)	(2,587,140)	(3,797,200)	(5,722,030)	(2,775,500)
12.	ADJUSTMENT	0	0	0	0	0
13.	CUMULATIVE UNDER(OVER) \$21,119,751	18,042,111	15,454,971	11,657,771	5,935,741	3,160,241
						20.051